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ACMA- Financial Analysis

Q3 FY-23

*Strictly private
and confidential*

May 2023



pwc

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From this Contents page – click on the title of the section or sub-section

From the contents listing on any section divider – click on the title of the sub-section

List of Companies

Classification of 69* Auto component companies

*Data for JMT Auto, Enkei Wheels and Harita Seating not available

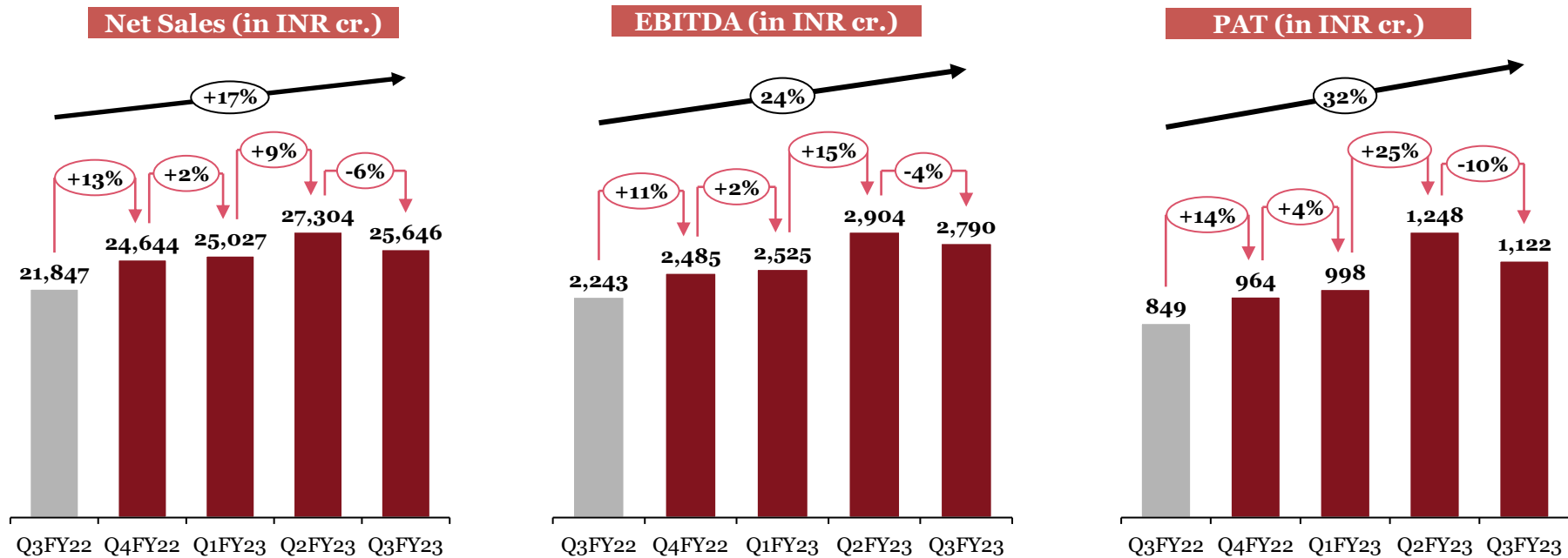
| Size based classification | | | | |
|---------------------------|--------------|---------------|-----------------|-----------|
| Revenue Range | 50 – 150 cr. | 150 – 500 cr. | 500 to 1000 cr. | >1000 cr. |
| Number of companies | 3 | 22 | 14 | 30 |

| Segment based classification | | |
|-----------------------------------|------------|--|
| Segment | #companies | List of companies |
| Transmission | 13 | Automotive Axles, Bharat Gears, Endurance Tech., JTEKT India, L G Balakrishnan, RACL Geartech, Rane (Madras), Setco Automotive, Shivam Autotech, Suprajit Engg., The Hi-Tech Gear, Z F Steering. Remsons Inds. |
| Engine | 22 | Alicon Cast., Banco Products, Bimetal Bearings, Federal-Mogul Go, IP Rings, Kalyani Forge, Menon Bearings, Menon Pistons, Munjal Auto Inds, Pradeep Metals, Precision Camshf, Ramkrishna Forg., Rane Engine Val., Rico Auto Inds, Samkrp Pistons, Sharda Motor, Shriram Pistons, Sundaram Clayton, Sundram Fasten., Talbros Auto., Triton Valves, Ucal Fuel Sys. |
| Suspension | 14 | G S Auto Intl., Gabriel India, GNA Axles, Hind. Composites, Jamna Auto Inds., Munjal Showa, Rane Brake Lin., Simm. Marshall, Steel Str. Wheel, Sundaram Brake, Talbros Engg., ZF Commercial, Wheels India, Enkei Wheels |
| Electrical and Electronics | 10 | Bhagwati Auto, Fiem Inds., India Nipp. Elec., Lumax Auto Tech., Lumax Inds., Minda Corp, Minda Inds., Motherson Sumi, Pricol Ltd, Subros |
| Interior | 2 | Bharat Seats, SAL Automotive |
| Body and Chassis | 8 | Auto. Corp. of Goa, Autoline Inds., Automotive Stamp, Jay Bharat Mar., Jay Ushin, Omax Autos, PPAP Automotive, Rasandik Engg. |

Tyre and battery companies are excluded in this report. Companies having less than INR 50 cr. annual revenue have been excluded from the scope of this study. The data for the following analysis is sourced from Capitaline.

Financial Summary

Aggregate financial analysis (69 in-scope companies)



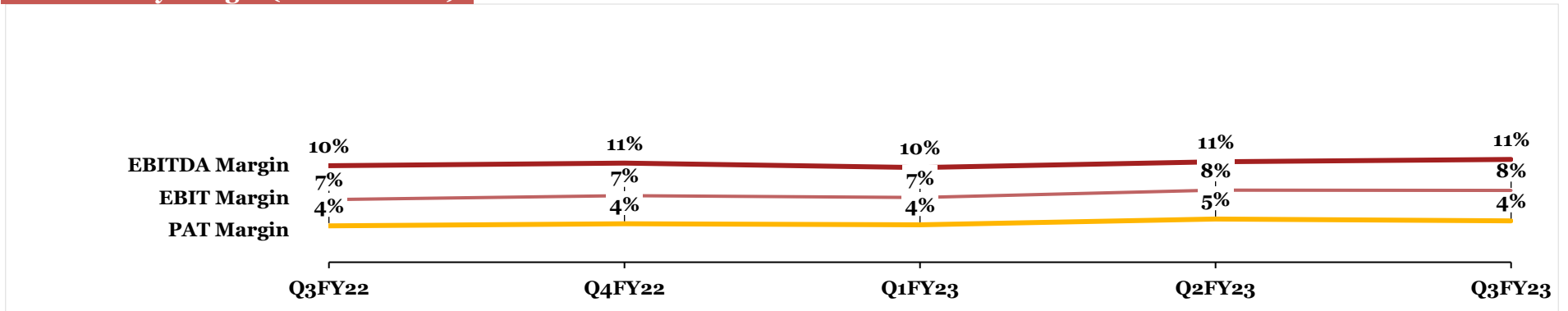
- This quarter included the months of Oct'22, Nov'22, and Dec'22 when the economy was under inflationary pressure leading to higher interest rates, cooled-off demand from OEMs as the festive demand was met last quarter, lower export orders due to geopolitical tensions, and a fear of recession. India still shows robust domestic demand as compared to other countries in the face of global recessionary fears.
- Net Sales, EBITDA, and PAT all saw a year-on-year improvement across segments on the lower base of the same quarter a year ago when the economy was recovering from the effects of the second Covid wave

Trends in profitability (as % of Net sales)

For PAT calculation, the following formula is used: $PAT = \text{Reported Profit After Tax} - \text{Other Income}$

For EBITDA calculation, the following formula is used: $EBITDA = \text{Reported Profit after Tax} + \text{Tax Expenses} + \text{Depreciation} + \text{Interest} - \text{Other Income}$

Profitability margin (% of net sales)



EBITDA margin distribution of in-scope companies

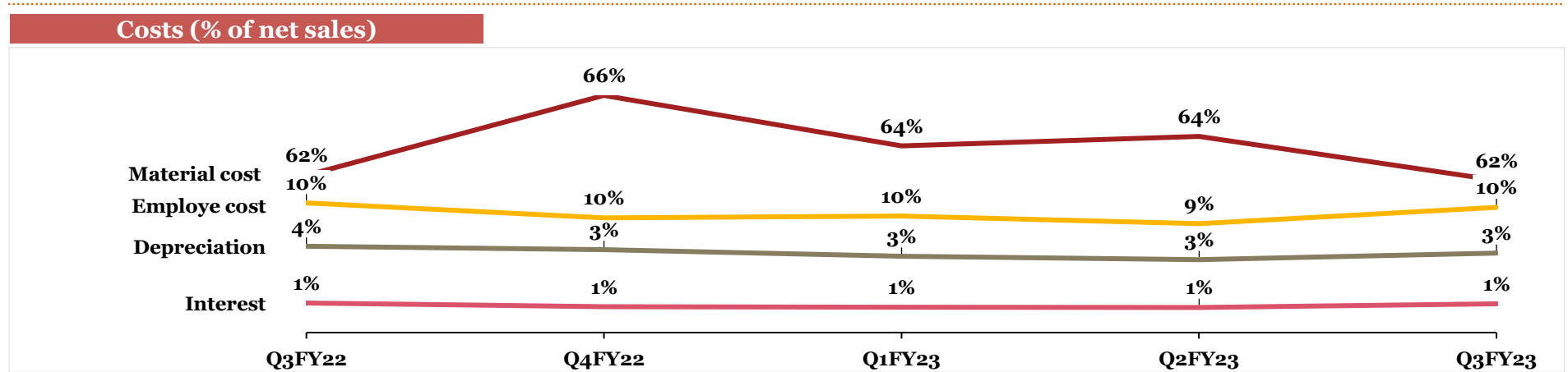
| Range | Q3 FY22 Number of companies | Q3 FY23 Number of companies |
|---------------|--------------------------------|--------------------------------|
| Less than 0% | 5 | 3 |
| 0-10% | 35 | 35 |
| 10-20% | 23 | 28 |
| more than 20% | 6 | 3 |

PAT margin distribution of in-scope companies

| Range | Q3 FY22 Number of companies | Q3 FY23 Number of companies |
|---------------|--------------------------------|--------------------------------|
| less than 0% | 14 | 15 |
| 0-5% | 36 | 30 |
| 5-10% | 16 | 19 |
| more than 10% | 3 | 5 |

- EBITDA, EBIT, and PAT margins remained largely stable as compared to the previous quarter.
- EBITDA and PAT margins grew Y-o-Y on account of increased end-user demand and higher sales as the economy started to return to normalcy after the second wave.

Trends in costs (as % of Net sales)



Material cost/net sales distribution of in-scope companies

| Range | Q3 FY22 | Q3 FY23 |
|---------------|---------|---------|
| 0-50% | 18 | 21 |
| 50-70% | 32 | 32 |
| more than 70% | 19 | 16 |

Employee cost/net sales distribution of in-scope companies

| Range | Q3 FY22 | Q3 FY23 |
|---------------|---------|---------|
| 0-10% | 24 | 26 |
| 10-20% | 42 | 39 |
| more than 20% | 3 | 4 |

Interest/net sales distribution of in-scope companies

| Range | Q3 FY22 | Q3 FY23 |
|--------------|---------|---------|
| 0-2% | 46 | 44 |
| 2-5% | 19 | 19 |
| more than 5% | 4 | 6 |

Depreciation/net sales distribution of in-scope companies

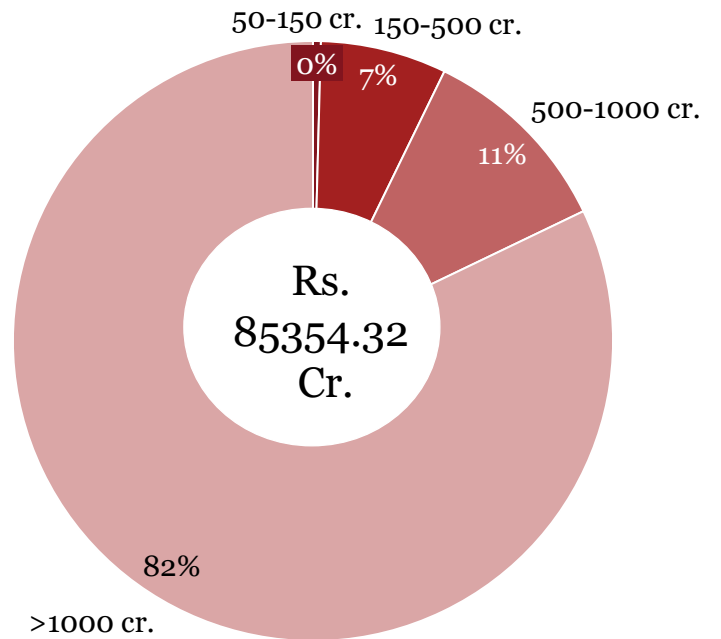
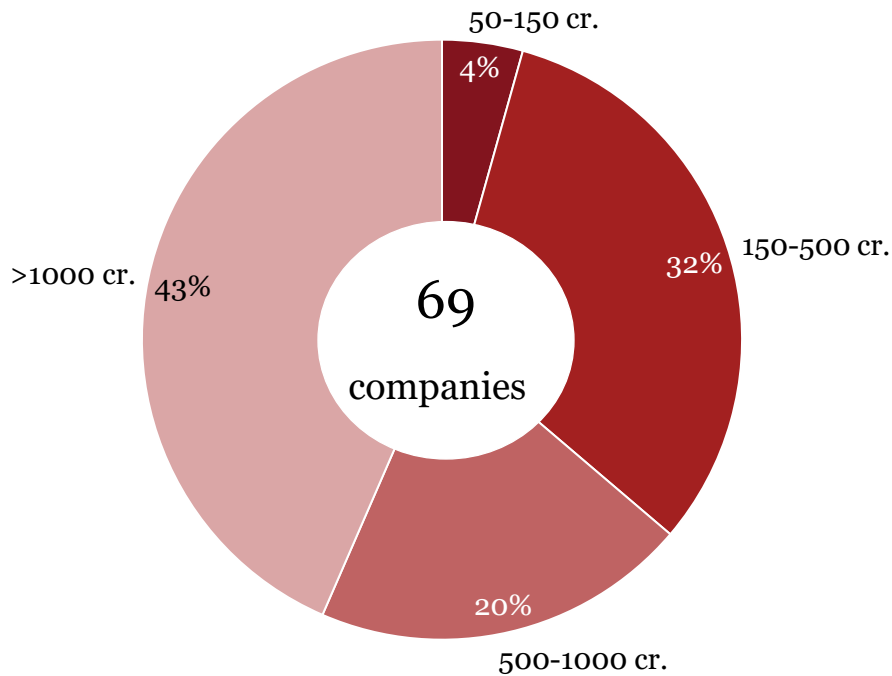
| Range | Q3 FY22 | Q3 FY23 |
|--------------|---------|---------|
| 0-2% | 11 | 13 |
| 2-5% | 40 | 45 |
| more than 5% | 18 | 11 |

- Employee costs rose in tandem with inflation. Depreciation and Interest remained relatively stable
- Raw material costs decreased as the government cut the export duty on steel products and iron ore to nil

Size based analysis

Revenue-based classification

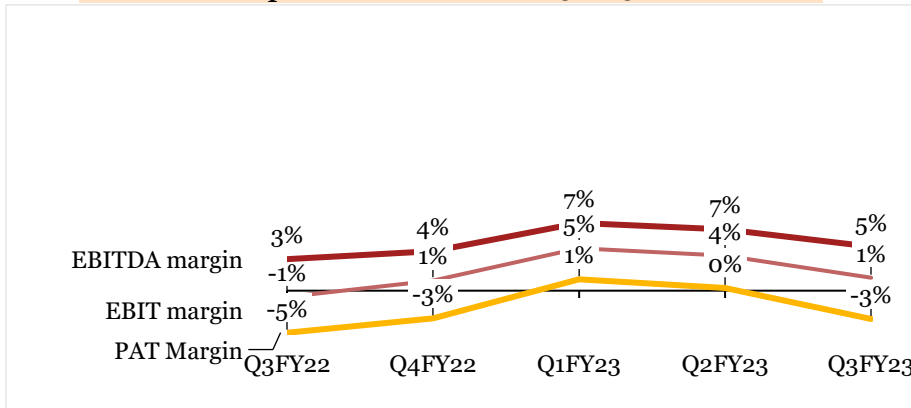
| Revenue based classification | | | | |
|------------------------------|--------------|---------------|--------------|-----------|
| Revenue Range | 50 – 150 cr. | 150 – 500 cr. | 500-1000 cr. | >1000 cr. |
| Number of companies | 3 | 22 | 14 | 30 |



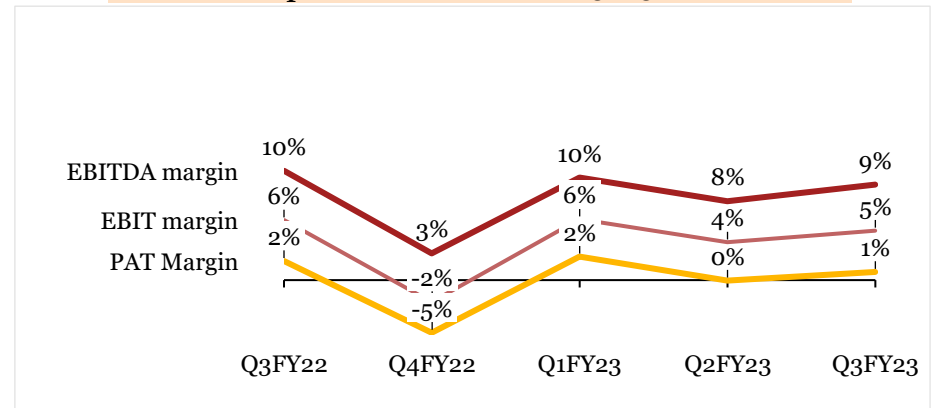
(Aggregate revenue of 69 companies)

Trends in profitability (as % of Net sales)

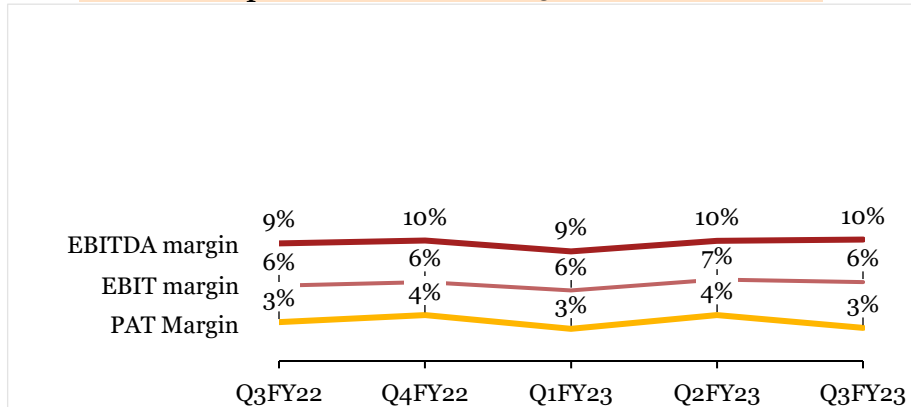
Companies with revenue 50-150 cr.



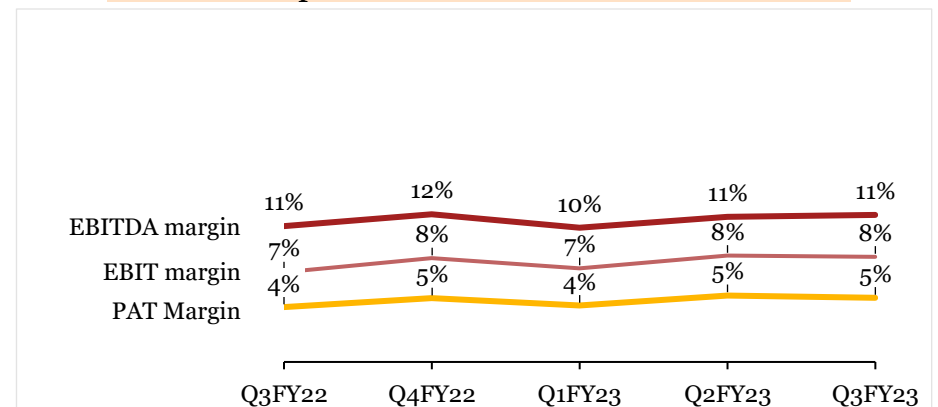
Companies with revenue 150-500 cr.



Companies with revenue 500-1000 cr.

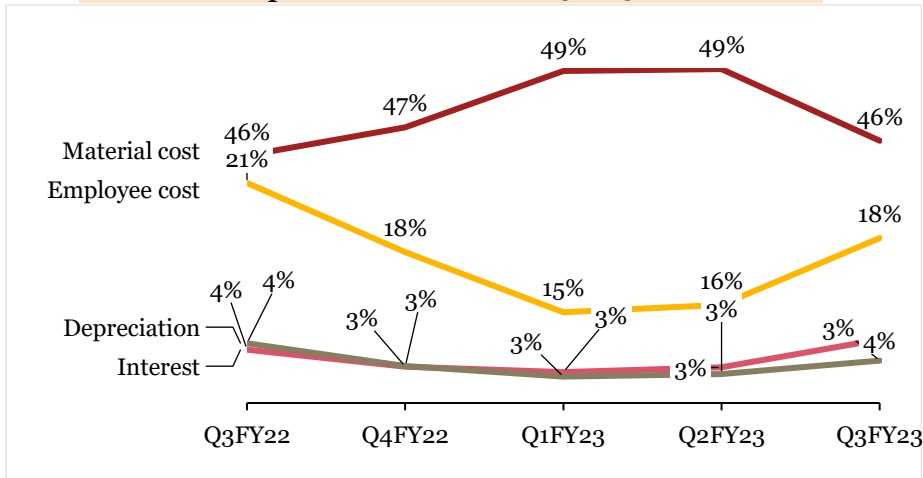


Companies with revenue >1000 cr.

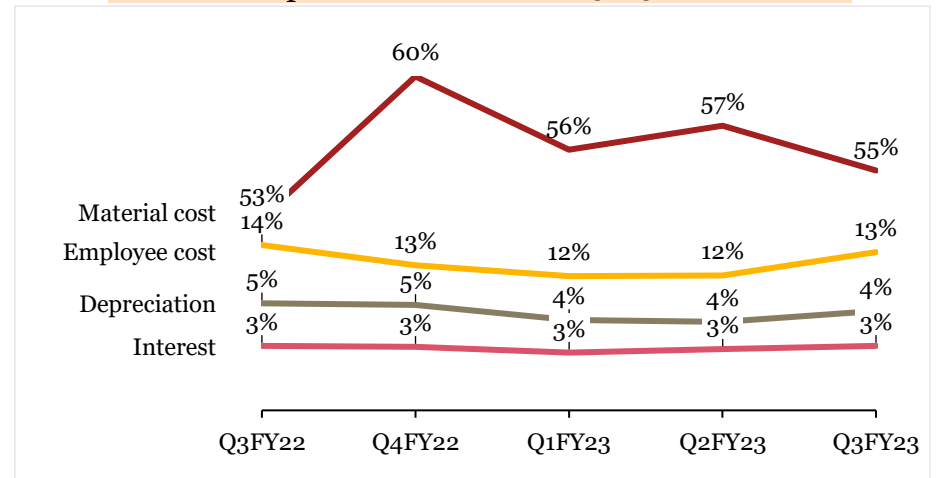


Trends in costs (as % of Net sales)

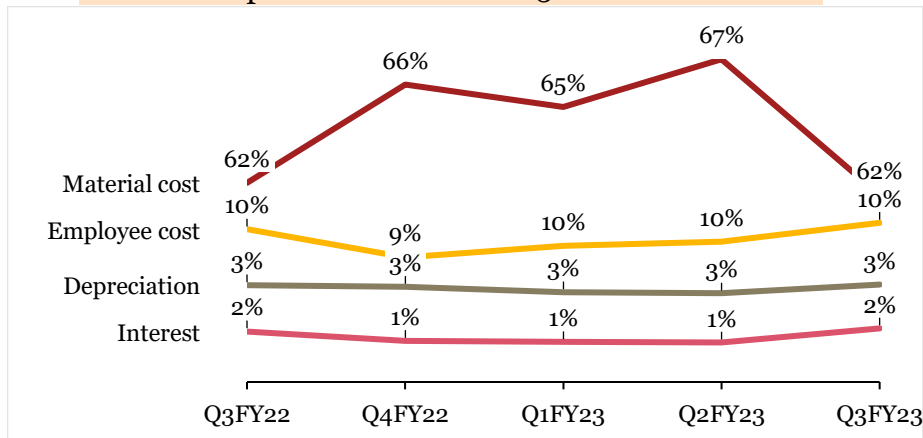
Companies with revenue 50-150 cr.



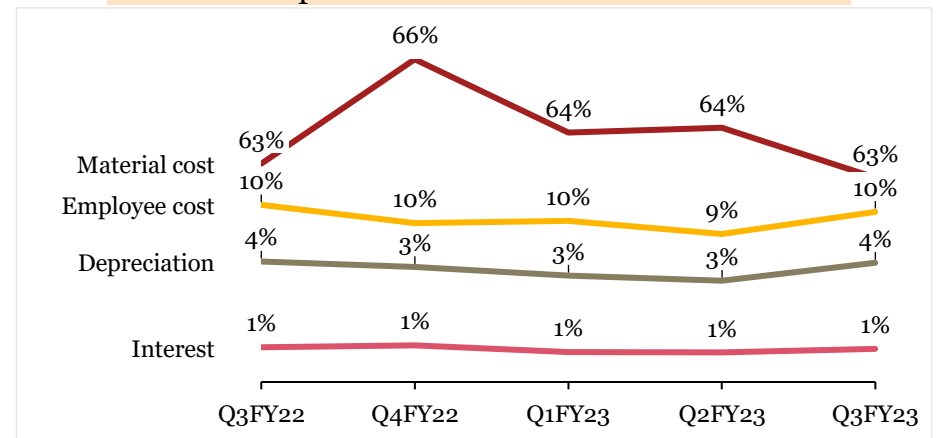
Companies with revenue 150-500 cr.



Companies with revenue 500-1000 cr.

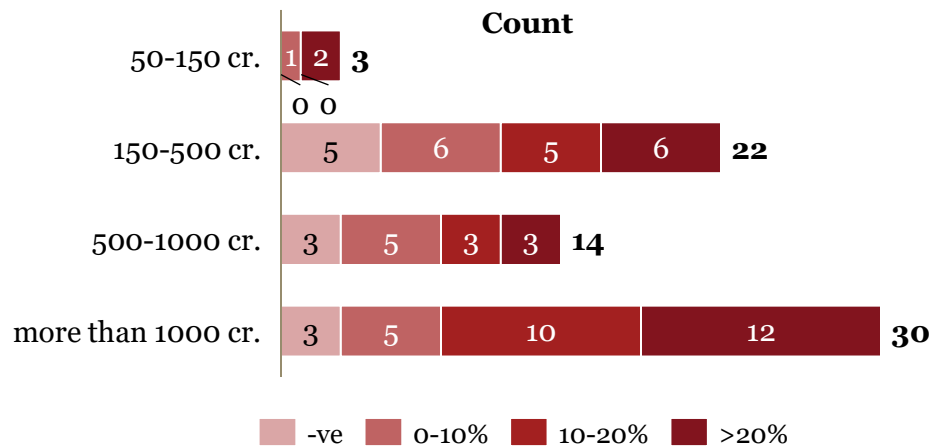


Companies with revenue >1000 cr.

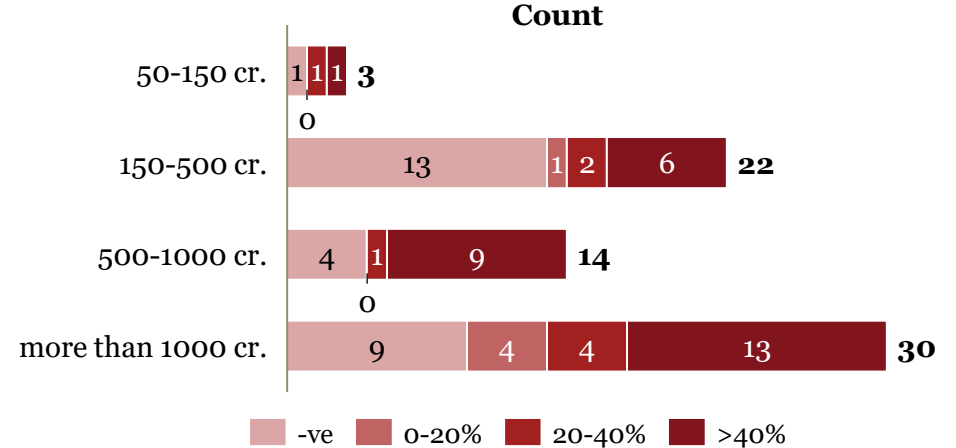


Count of companies per growth % range : by revenue segment Q3 FY22 vs. Q3 FY23

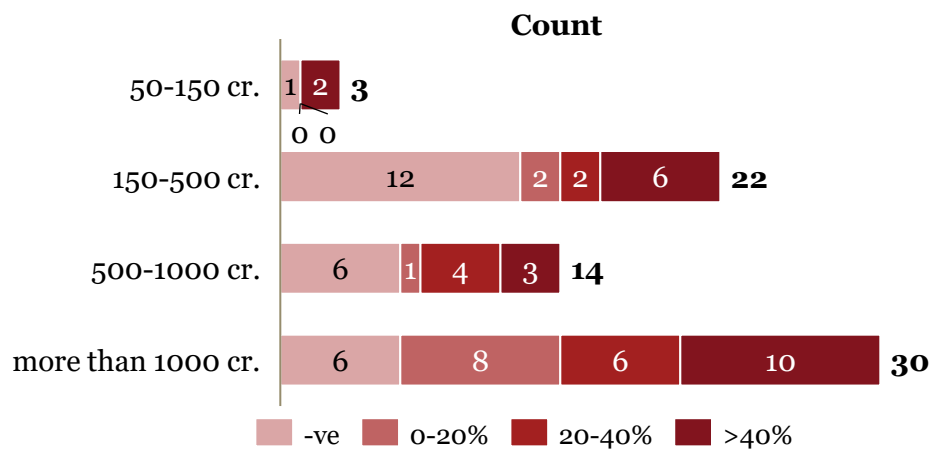
Count of companies by Y-o-Y Net Sales growth %



Count of companies by Y-o-Y PAT growth %

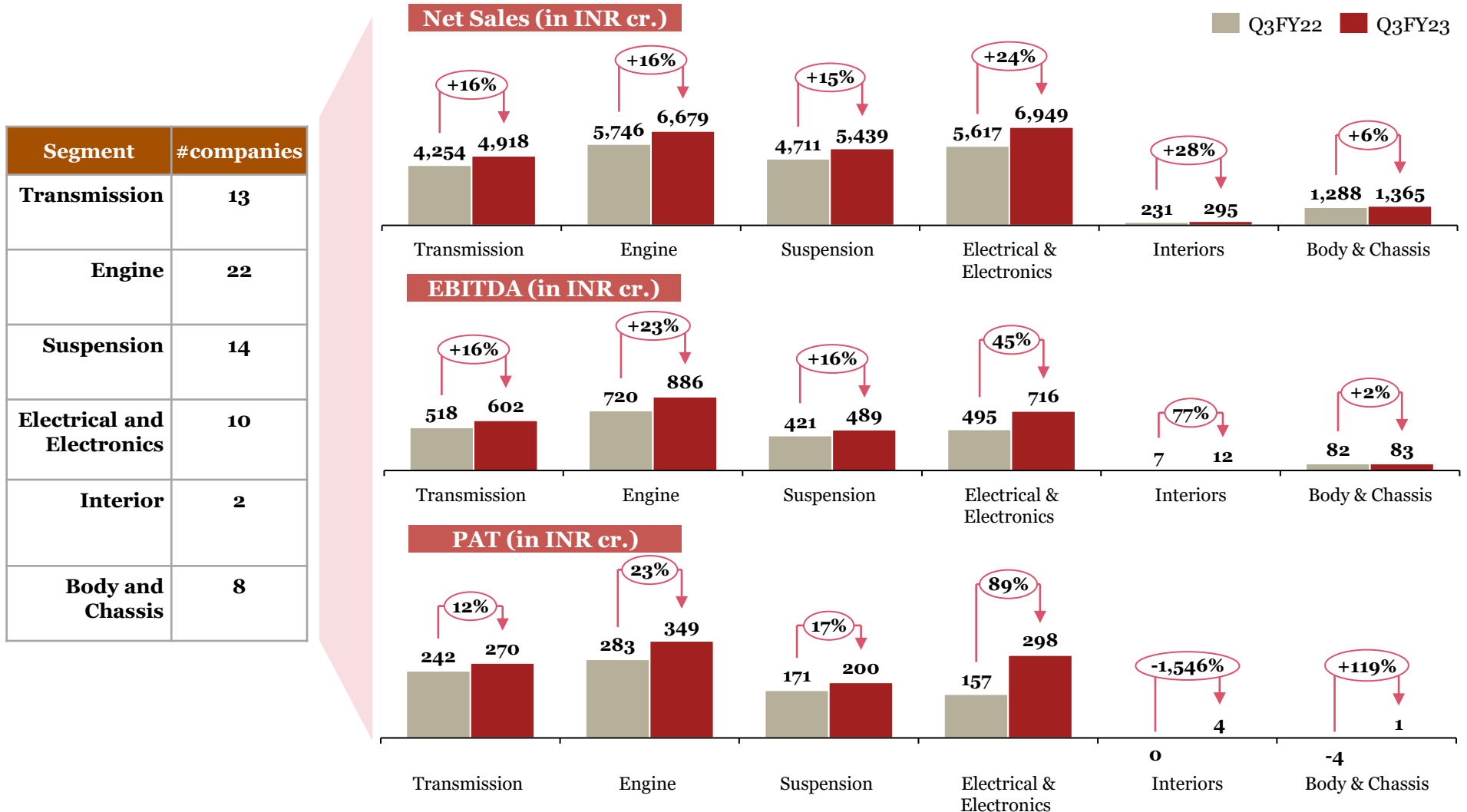


Count of companies by Y-o-Y EBITDA growth %



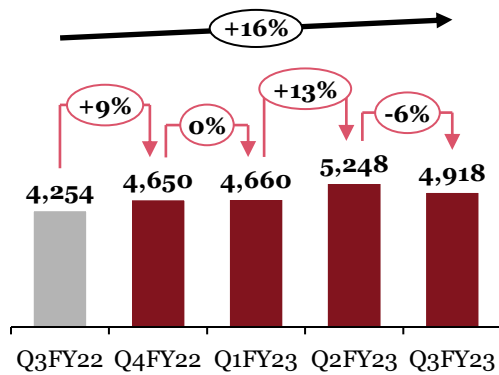
Segment analysis

Segment-wise analysis of in-scope companies: Q2 FY22 vs. Q2 FY23

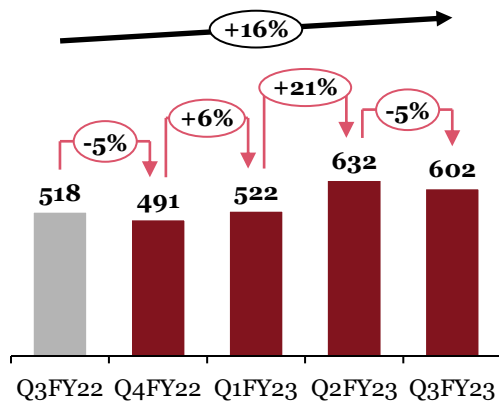


Transmission segment (13 companies)

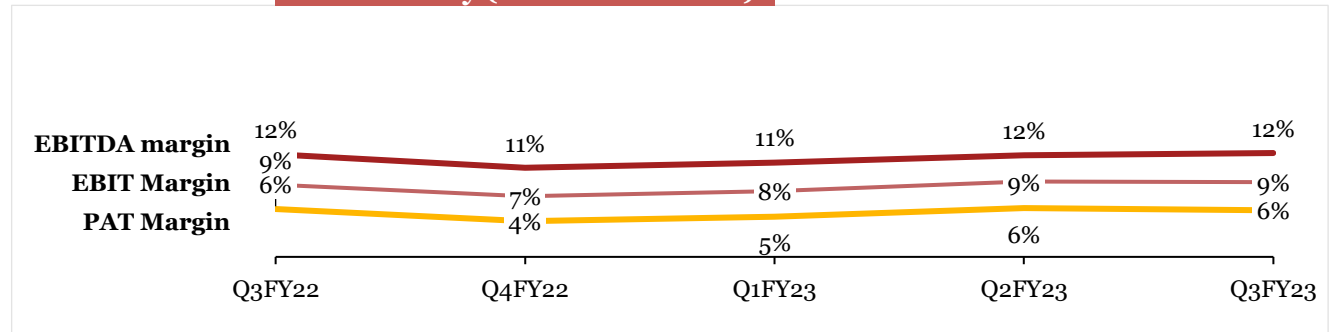
Net Sales (in INR cr.)



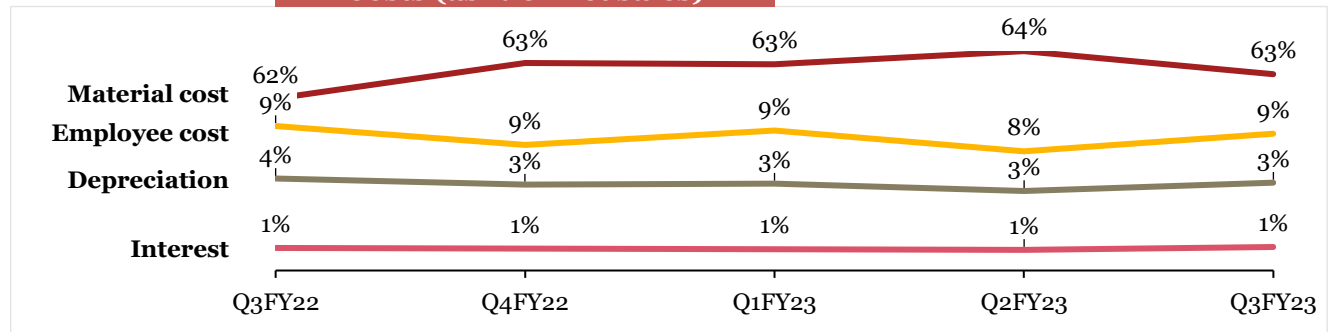
EBITDA (in INR cr.)



Profitability (as % of Net sales)



Costs (as % of Net sales)

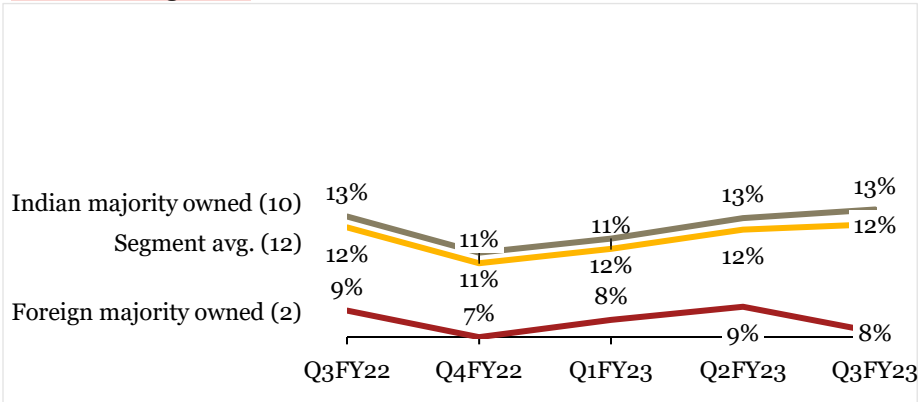


- Shift in preferences and rising adoption of Automatic Transmission in commercial vehicles has been a key growth driver
- EBITDA decreased due to lower sales this quarter as demand from OEMs cool at the onset of the festive season and fears of recession

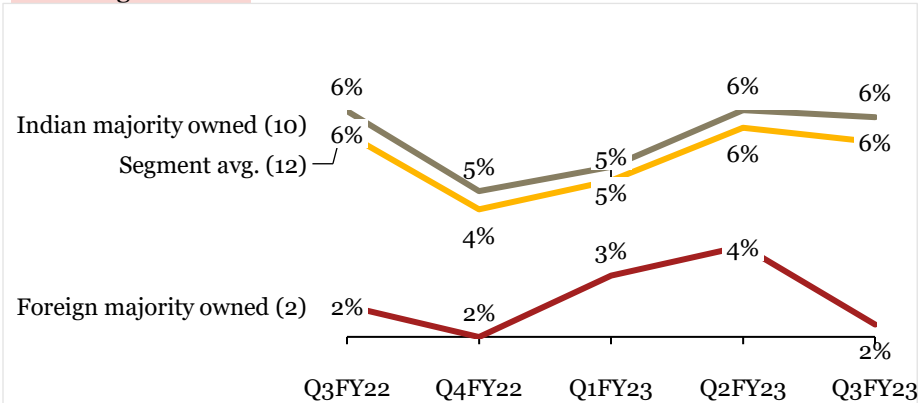
Transmission segment (Indian majority vs. Foreign majority owned)

Profitability (as % of Net sales)

EBITDA Margin

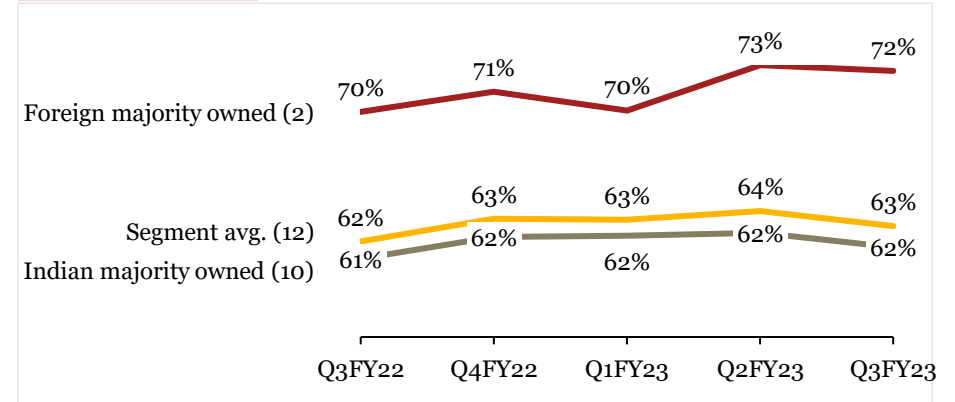


PAT Margin

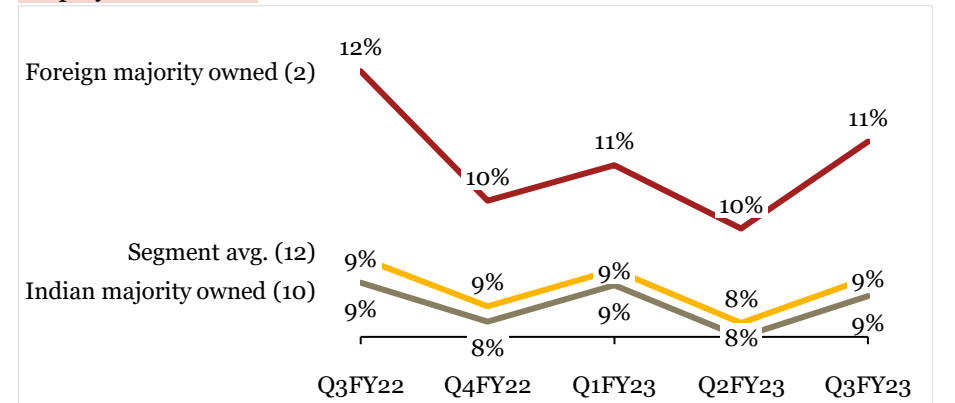


Costs (as % of Net sales)

Material cost

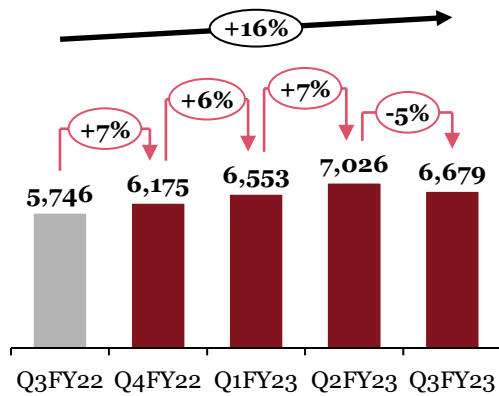


Employee cost

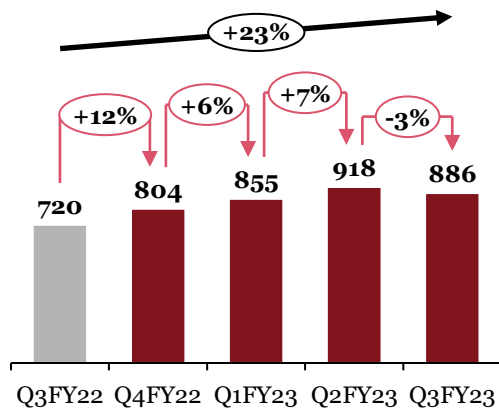


Engine segment (22 companies)

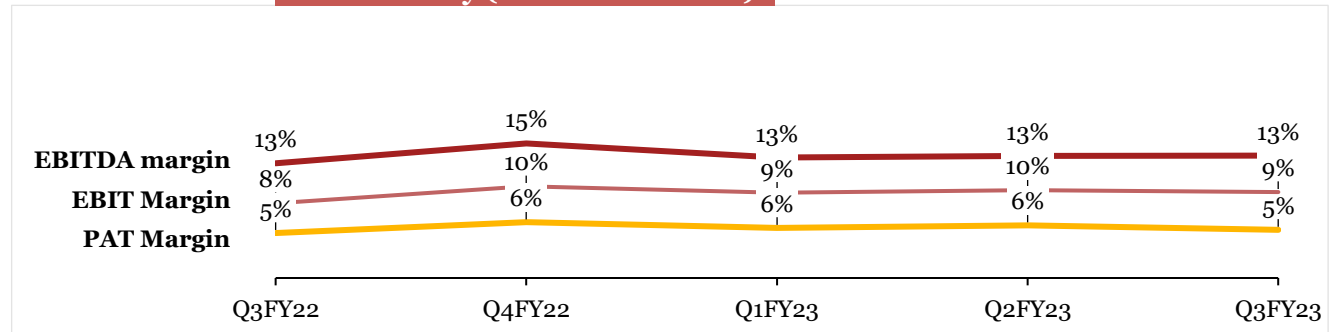
Net Sales (in INR cr.)



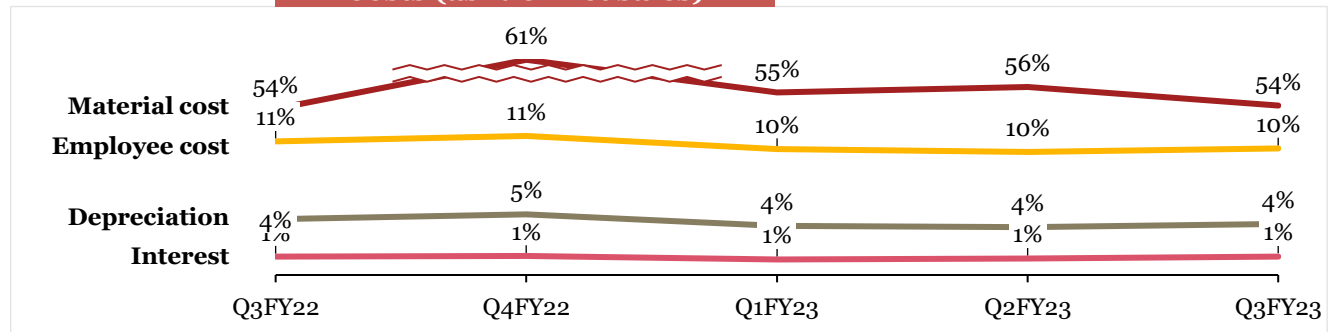
EBITDA (in INR cr.)



Profitability (as % of Net sales)



Costs (as % of Net sales)

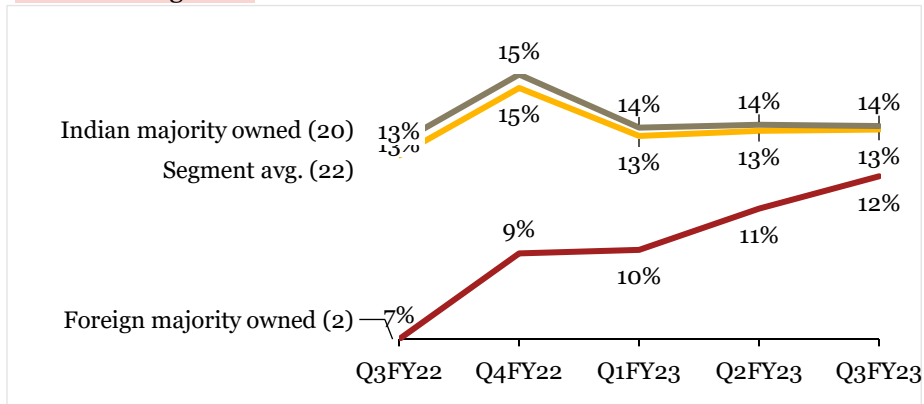


- Development of new technologies – such as Variable Displacement Engines (VDEs) and hybrids – have sparked recent growth in this segment
- PAT and EBIT Margin decreased slightly as the net sales fell over the last quarter
- Material Costs fell as the government cut the export duty on steel products and iron ore to nil

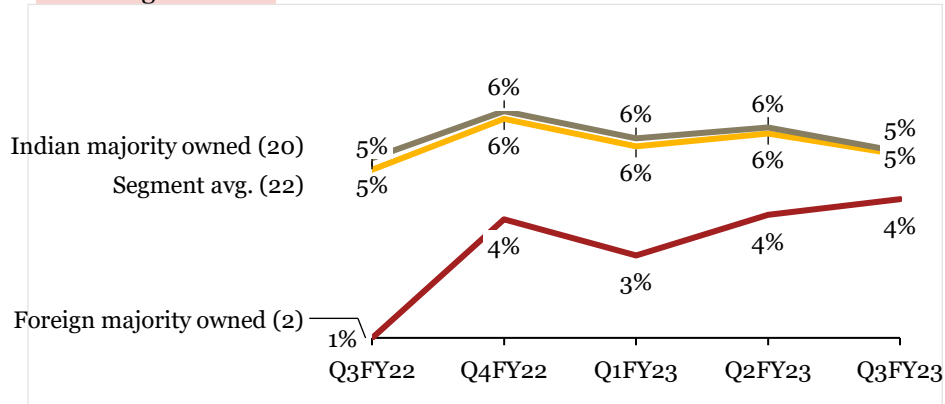
Engine segment (Indian majority vs. Foreign majority owned)

Profitability (as % of Net sales)

EBITDA Margin

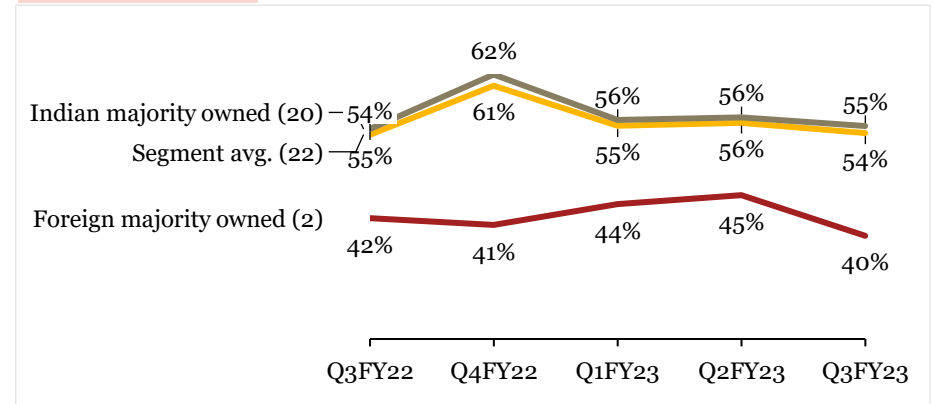


PAT Margin

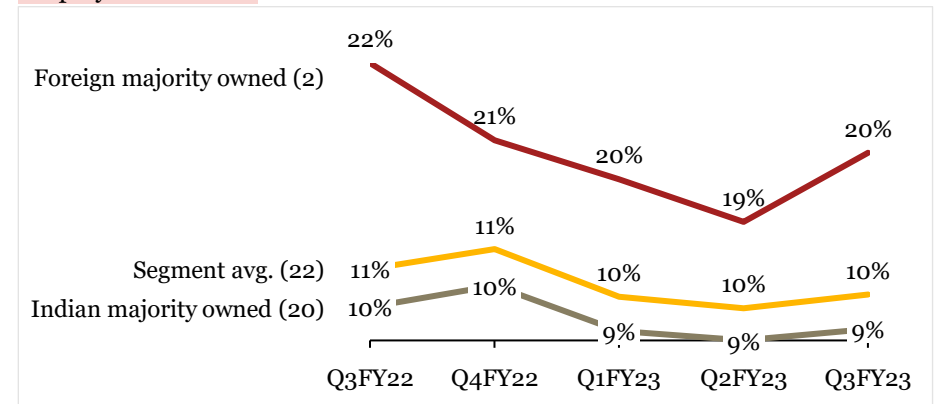


Costs (as % of Net sales)

Material cost

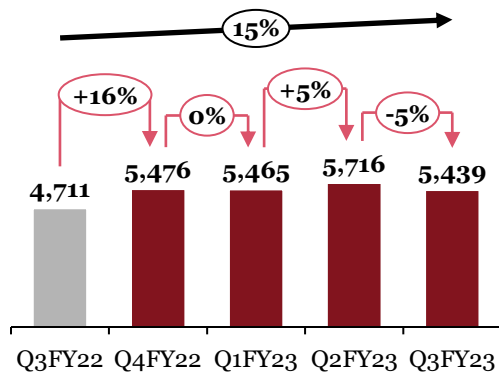


Employee cost

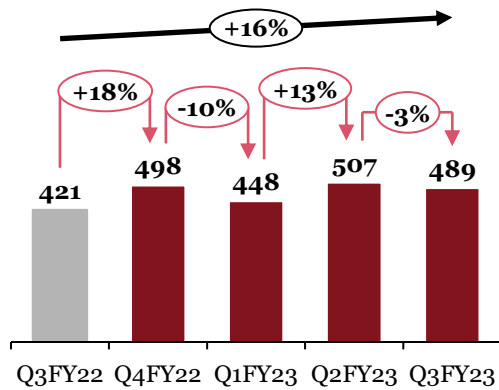


Suspension segment (14 companies)

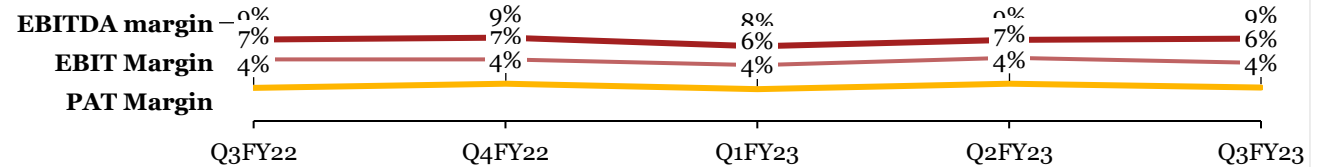
Net Sales (in INR cr.)



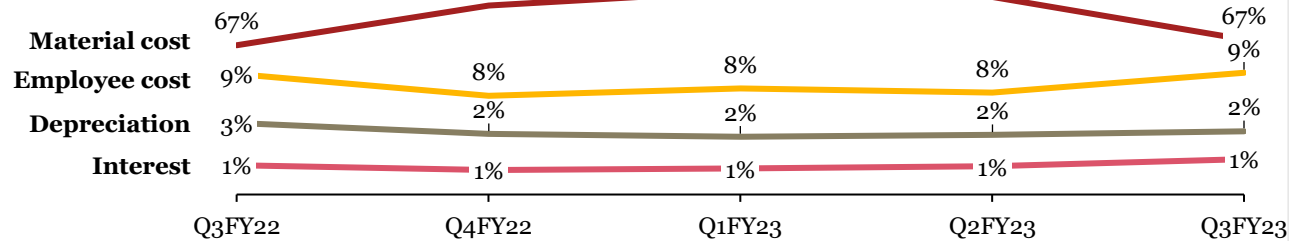
EBITDA (in INR cr.)



Profitability (as % of Net sales)



Costs (as % of Net sales)

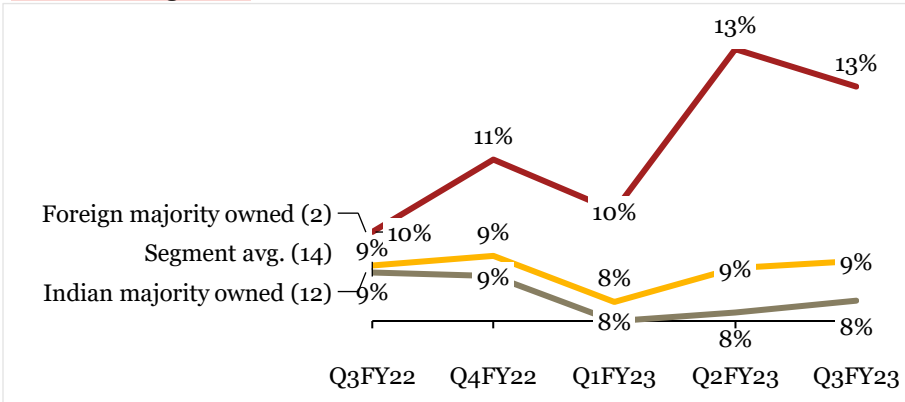


- Demand for luxury cars and penetration of active suspension systems are expected to drive the market demand. The rise in vehicle autonomy is expected to drive the market growth for sensor- and electronic-based suspension systems
- Costs in this segment remained relatively stable

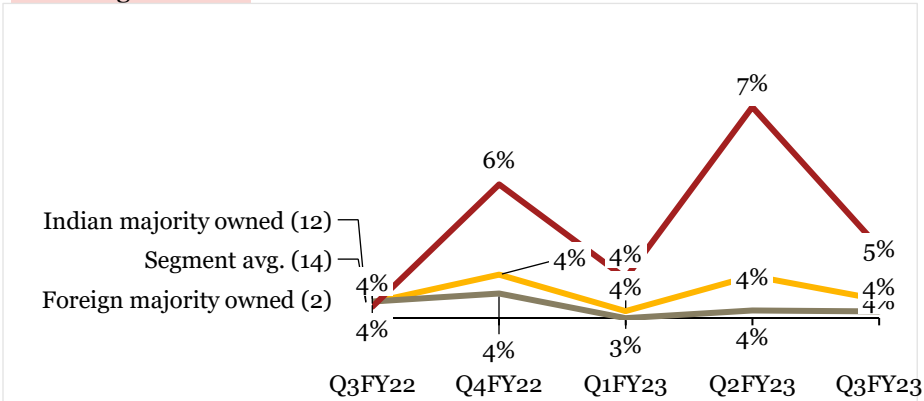
Suspension segment (Indian majority vs. Foreign majority owned)

Profitability (as % of Net sales)

EBITDA Margin

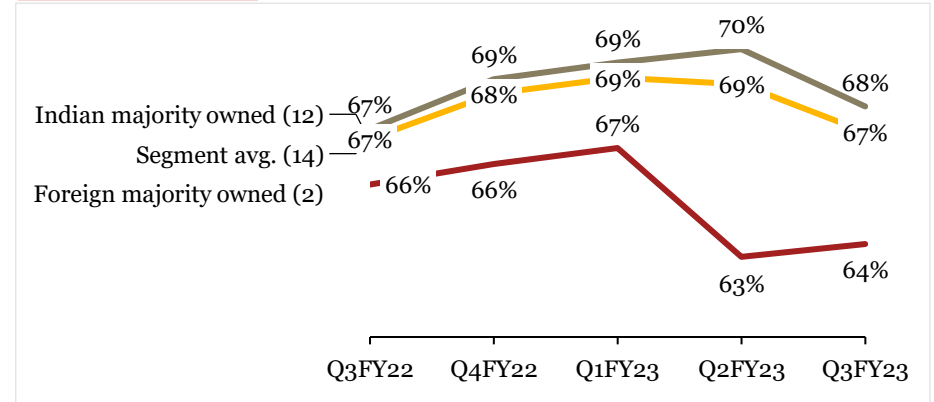


PAT Margin

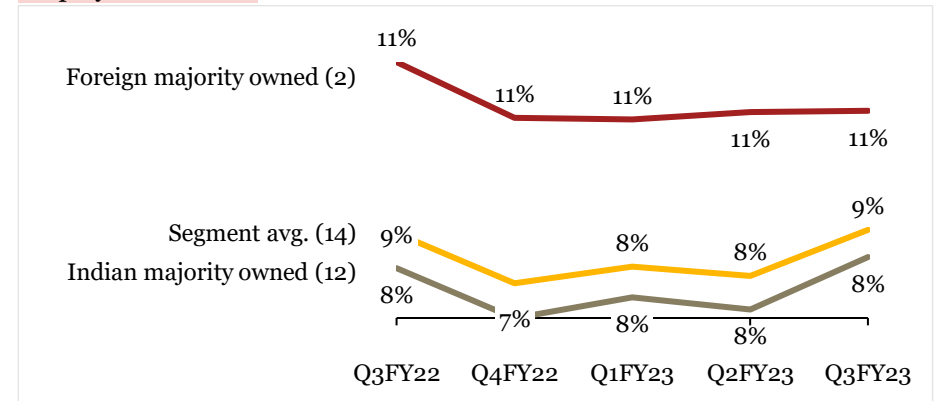


Costs (as % of Net sales)

Material cost

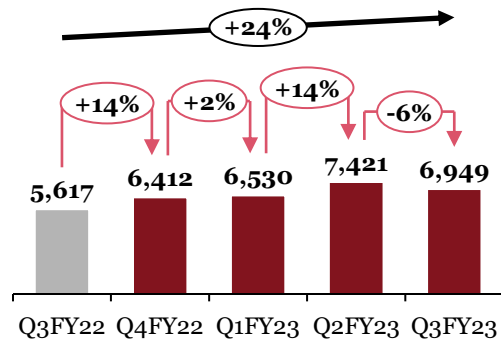


Employee cost

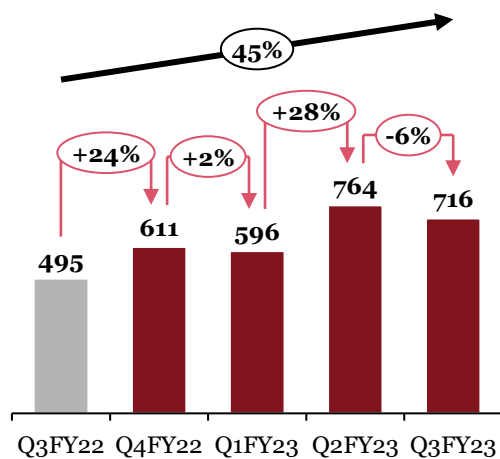


Electrical and Electronics segment (10 companies)

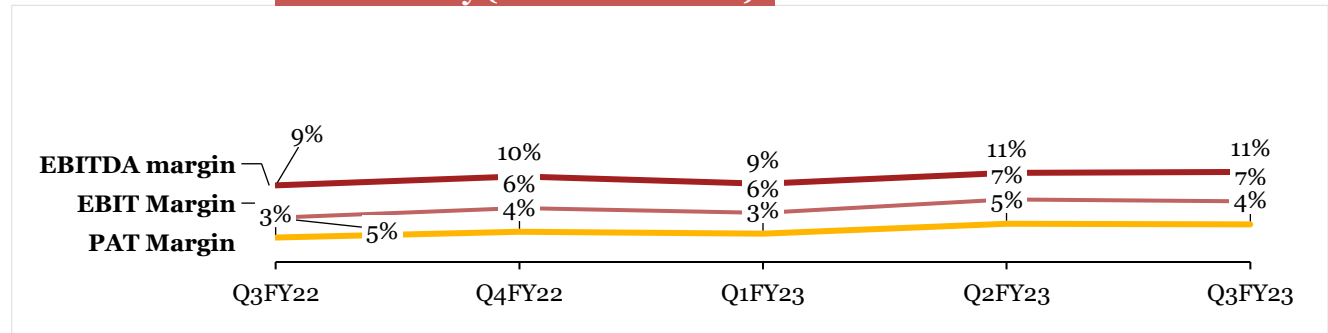
Net Sales (in INR cr.)



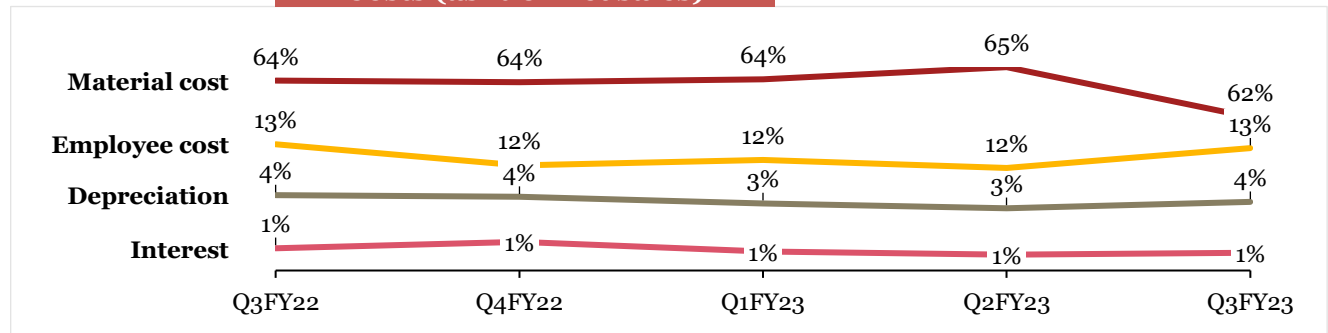
EBITDA (in INR cr.)



Profitability (as % of Net sales)



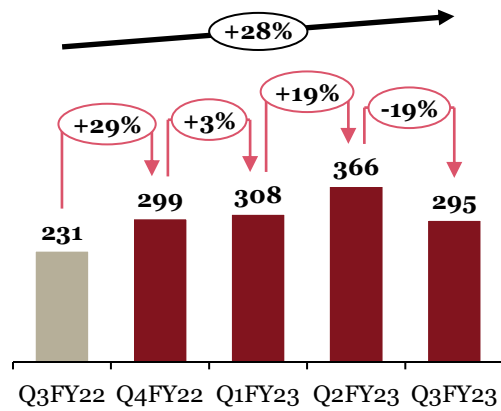
Costs (as % of Net sales)



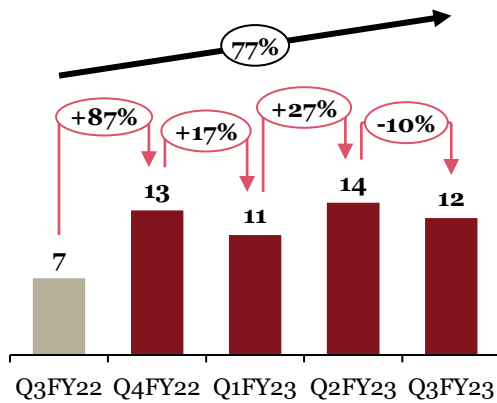
- Incentives towards the segment over the next 5 years under the PLI scheme have provided a boost to this sector
- The growing adoption of Hybrid Electric Vehicles (HEV) and Electric Vehicles (EV) is also expected to drive the demand for automotive electronics components

Interior segment (2 companies)

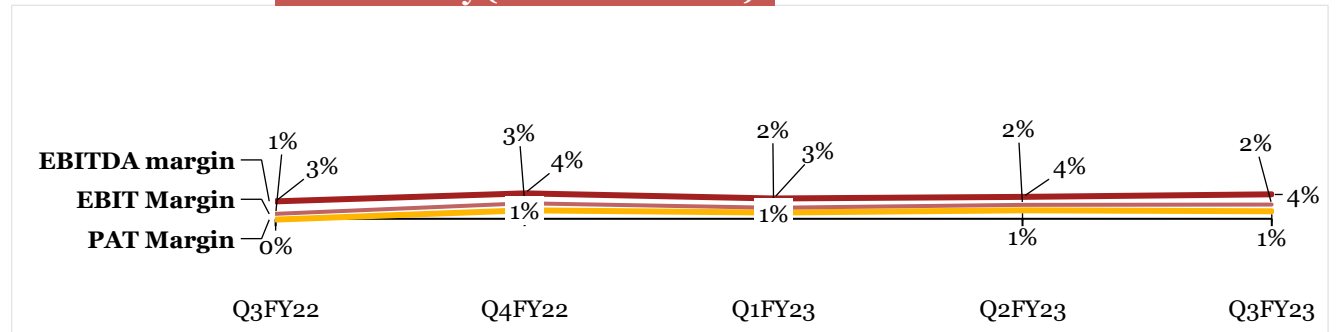
Net Sales (in INR cr.)



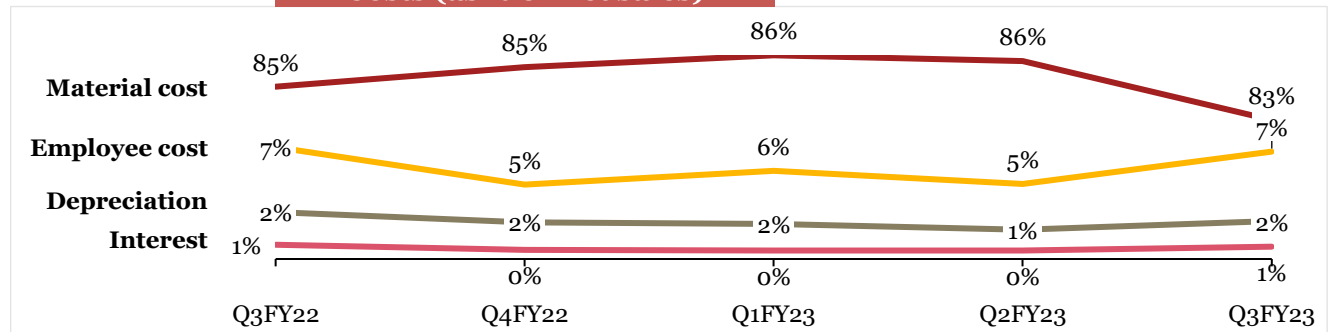
EBITDA (in INR cr.)



Profitability (as % of Net sales)



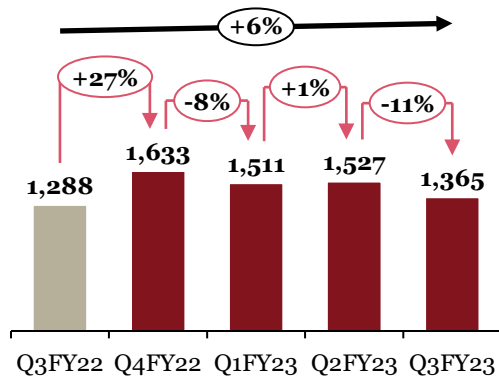
Costs (as % of Net sales)



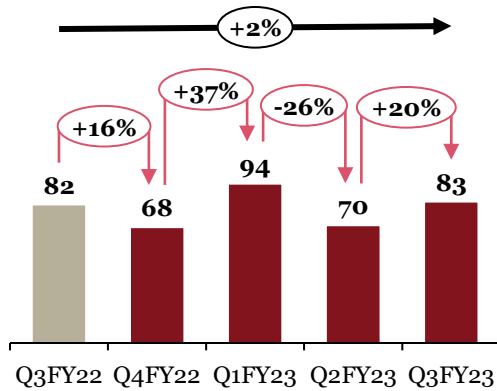
- Introduction of government regulations for safety, carbon emission, and lightweight vehicles has increased the demand for lightweight and advanced materials
- Profitability margins remained largely stable. Employee costs increased in tandem with inflation

Body and chassis segment (8 companies)

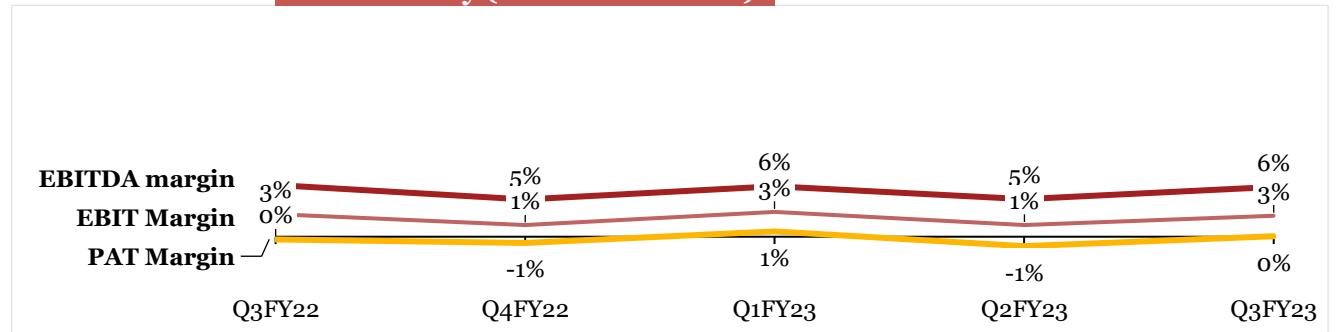
Net Sales (in INR cr.)



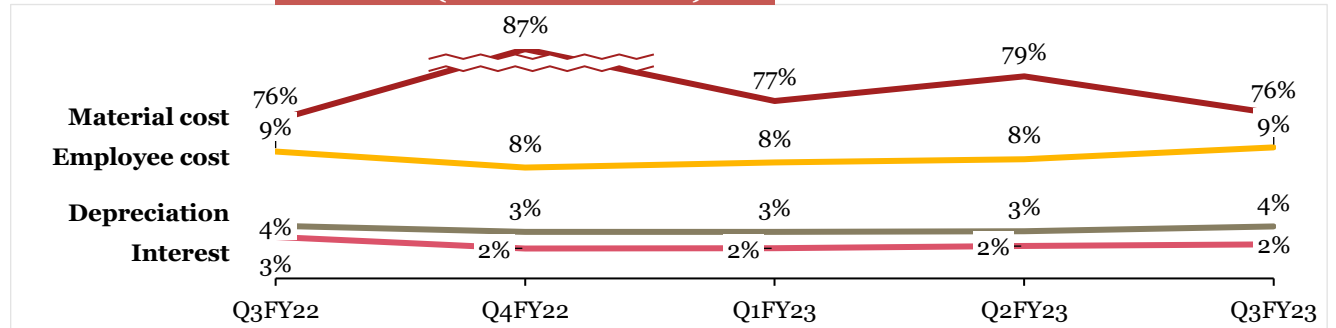
EBITDA (in INR cr.)



Profitability (as % of Net sales)



Costs (as % of Net sales)



➤ Rising demand for fuel-efficient and low-emission vehicles has been a driving force in the rise in demand for lightweight composite material chassis

Appendices

| Ratios Used | | |
|-------------------------------|---|---|
| Ratios | Definition | |
| EBITDA margin | $(\text{Reported Net Profit} + \text{Tax Expenses} + \text{Interest} + \text{Depreciation} - \text{other income}) / (\text{Net Sales} - \text{other income})$ | |
| PAT margin | $(\text{Reported Profit} - \text{other income}) / (\text{Net Sales} - \text{other income})$ | |
| EBIT Margin | $(\text{Reported Net Profit} + \text{Tax Expenses} + \text{Interest} - \text{other income}) / (\text{Net Sales} - \text{other income})$ | |
| Cost as % of net sales | Landed material | $\text{Raw Material} + \text{Stock Adjustments} + \text{Purchase of Finished goods} / (\text{Net sales} - \text{other income})$ |
| | Depreciation | $\text{Depreciation} / (\text{Net sales} - \text{other income})$ |
| | Employee | $\text{Employee cost} / (\text{Net sales} - \text{other income})$ |
| | Interest | $\text{Interest} / (\text{Net sales} - \text{other income})$ |

'other income' has been removed from the respective parameters to only include the revenue from core operations



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